

PECORA IS WILLING TO RULE EXCHANGES

**Sends Word to Roosevelt He
Will Serve on Commission
if Named Chairman.**

PART OF ACT INEFFECTIVE

**Experts Agree That Two of
Provisions Will Not Be Put
in Operation Now.**

Special to THE NEW YORK TIMES.

WASHINGTON, June 27.—Ferdinand Pecora sent word to President Roosevelt today that he would serve on the new National Securities Exchange Commission for one year provided he was designated as the chairman.

The message was delivered to the White House by Senator Fletcher, chairman of the Senate Banking and Currency Committee, which Mr. Pecora served as special counsel during its extensive investigation into banking and stock market practices.

Two questions in connection with Mr. Pecora's appointment to the commission remained to be settled tonight: First, whether President Roosevelt would tender him the chairmanship, and second, whether Mr. Pecora would serve on the new regulatory body as a member if he were not designated as chairman.

It appeared a settled proposition that the President wanted him to occupy a place on the commission.

Mr. Roosevelt, at his regular press conference this morning, said that no appointments had been made. He reiterated later, through aides, when reports of Mr. Pecora's message were broadcast, that he had made no commitments whatsoever relative to the personnel of the Exchange commission.

Two Reported Decided On.

The President was reported to have decided on at least two other Stock Exchange commissioners, James M. Landis, member of the Federal Trade Commission and an authority on securities, and George C. Matthews, also a Federal Trade Commissioner and formerly administrator of the Wisconsin Securities Act.

Two others have been mentioned prominently as the fourth and fifth members of the new commission, Baldwin Bane, at present chief of the securities division of the Federal Trade Commission, and Robert E. Healy, general counsel of that agency. It was thought probable, however, that Mr. Bane would be transferred to the new commission in his capacity as a securities ex-

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PECORA NOW SEEKS TO HEAD BOARD

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pert and that Mr. Healy, if he were sent to the Stock Exchange body, would go there as general counsel.

The personnel of the commission was discussed at some length today between the President and Senator Bulkley of Ohio, member of the Banking and Currency Committee. Senator Bulkley suggested some names to Mr. Roosevelt and discussed with him those already on his desk. The Senator was non-committal concerning whom he had suggested.

The main consideration in Washington tonight, however, was whether Mr. Pecora would be named to head the Stock Exchange control agency.

Fletcher Sought Pecora.

Mr. Pecora was approached some time ago by Senator Fletcher relative to his serving as a member of the commission. The chairmanship was not mentioned particularly at that time. Senator Fletcher simply asked him, according to authentic information here, as to whether he would serve on the commission if asked by the President. It was assumed that the Senator was sounding out the prospect for Mr. Roosevelt.

Mr. Pecora took the suggested offer under advisement at that time and nothing definite was heard from him about it until Senator Fletcher received a wire from him last night, saying he would accept if tendered the chairmanship. The message was taken to the White House by Senator Fletcher.

It is the thought at the capital that Mr. Pecora has learned a lot about stock market practices during his months of intensive study and investigation of the subject and has some very definite ideas which he would like to enunciate as policies for the new control body. Under the terms of the Stock Exchange Control Act, the commission is left with wide discretion as to its rules and regulations.

Part of Act Ineffective in July.

Another important development today was an agreement by some of the experts that the paragraphs of Section 9 (a) of the Securities Exchange Act aimed at "manipulation of security prices" and 9 (b)

prohibiting "puts," "calls" and "straddles," except as permitted by regulations of the commission, would not actually be effective until Oct. 1, although in specifying sections which become law on July 1 the act included these provisions.

This unusual situation was created by the fact that the commission's jurisdiction over such activities was limited, in the case of the manipulative activities covered, to "any security registered on a national securities exchange," while the prohibition against transactions in "puts" and "calls" was against those in which any "facility of a national securities exchange" was used.

The difficulty arises because the sections providing for the registration of Exchanges as "National Security Exchanges" with the commission, and the registration of securities traded in on a National Securities Exchange, do not become effective until Sept. 1. At that time it is provided that any Exchange may become a "National Securities Exchange" by filing certain statements with the commission, and also that securities may then be registered, the board to pass upon such applications within thirty days.

Thus the National Securities Exchange referred to in Section 9 (a) will not exist as such, until Oct. 1, or shortly before that time and the great majority of securities will not have been "registered" before that date.

Provision Was Omitted.

While the bill was in committee a provision was written in prohibiting manipulation of security prices by various expedients such as pools and syndicates, in the case of any security, whether registered or otherwise. Had that been left in, the use of the manipulative activities would have been forbidden by law, regardless of the effective date for the registration of securities.

In the final draft, at the behest of those who felt that the task of regulating certain speculative activities should be approached with less abruptness, the wording was changed so that only "registered" securities were included.

Section 9 (a) is one of major importance. It prohibits, for instance, any transaction "in any security registered on a National Securities Exchange" for the purpose of creating a false or misleading appearance of active trading; any transaction in such security which involves no beneficial change in the ownership thereof; and any transaction for raising or depressing the

price of such security for the purpose of inducing the purchase or sale of such security by others. It was activities such as these which featured numerous pool operations in the speculative years of 1928 and 1929.

Practically all interpretations of Section 9 (a) up to this time have set July 1 as the date on which it would become effective. On what appeared high authority, however, it was agreed today that the use of the words "National Securities Exchanges" and "securities registered on a National Securities Exchange" made the provisions inapplicable, probably until Oct. 1.

The New York Stock Exchange rules, it is understood, are aimed at preventing such activities, and it is expected by officials here that there will be close cooperation by the Exchange in seeing that the spirit of Section 9 (a) is carried out, regardless of the final interpretation placed on the section.